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# Central and Eastern Europe Local Government and Housing Privatization

Prepared for the Office of Housing and Urban Programs  
Agency for International Development



ICMA  
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**WORK PROGRAM**

**THE DEVELOPMENT OF HOUSING STRATEGIES  
FOR THE CITIES OF BLAGOEVGRAD AND PLOVDIV**

**BULGARIA**

**June 1992**

**Prepared for the Office of Housing and Urban Programs  
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

**Prepared by**

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**The Urban Institute**

**INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION  
USAID Project No. 180-0034  
USAID Contract No. EUR-0034-C-00-2034-00  
Local Government and Housing Privatization  
Request for Services # 2**

Annex

**BLAGOEVGRAD CONTACTS**

Mayor: Eliana Maseva

Secretary: Ilian Popov

**\* DEPUTY MAYOR YANEV: TECHNICAL SECTOR**

**\* Maintenance and Management Office (new)**

Mr. Zachariev

Mrs. Oleva

**\* Property Office**

Mrs. Tozeva

**\* Urban Development Office**

Chief Architect, Mr. Christov

Architect, Yori Staleva

Urbanist, Violeta Spasova

**Cadastr**

1. regulation

2. restitution

**Group and Cooperative Construction**

One temporary staff member

**Capital Investment Office**

**\* DEPUTY MAYOR PASHOV: SOCIAL SECTOR**

**\* Social Needs Office**

Camelia Gyorgyeva

(decides on allowances under Decree 159)

**\* Housing Provision Office**

Rumen Elenkov (staff of four)  
(housing allocation; survey of rental units)

**THIRD DEPUTY MAYOR: Management**

\* **Budget Office**  
Demitri Uzunov

\* **Information Systems** (may be under technical)

\* We met with head and/or staff in all starred offices.

**MEETINGS OUTSIDE MUNICIPAL GOVERNMENT:**

Alexander NIKOLOV

Managing Director of Invest, also Chairman of the Council's Urban Development Committee

Director of the Electrical Company

**WORK PROGRAM  
HOUSING AND URBAN DEVELOPMENT  
RECOMMENDATIONS FOR THE CITY OF PLOVDIV**

**1. Creation of a Housing Office**

We would strongly recommend that a new Housing Office be established within the Plovdiv Municipal Government. Its functions would include some entirely new responsibilities as well as the assumption or coordination of tasks that already exist within the municipality. These functions are:

- the development and implementation of a consistent and comprehensive housing policy
- the exercise of an active owner's role in the management of municipal stock
- the maintenance of up-to-date data on actual housing need and on all the housing stock in Plovdiv
- liaison with the Urban Development Department in the regulation and encouragement of new construction
- development of a housing allowance system to be implemented in cooperation with the Social Welfare Office
- coordination with regard to the allocation of rental and new units (Housing Allocation Office)

The most important attributes of this new office are the ability (1) to have a policy-making role and (2) to coordinate effectively among the diverse functions. Based on our observations we advance two possible models for this office.

**(1) A new department established under the Deputy Mayor for Economic Affairs.** Because of the intersectoral nature of housing, this department should have direct access to the other Deputy Mayors as well. Its staff could be small (i.e. one or two people) if it is intended to leave the other functions in the already existing Offices mentioned above, or it

could gradually increase its staff, slowly subsuming all housing-related tasks into a single department.

**(2) An office reporting directly to the Mayor.** This would enable the office to have direct policy-making authority as well as underscoring its intersectoral responsibilities. This office would have to coordinate among the various departments and oversee their housing-related tasks.

**Recommended Assistance:**

Contractor should provide technical assistance in the design of the Office and training to its staff.

**Level of Effort:**

Housing Analyst (CCN)	10 days
Housing Economist	10 days

**2. Urban Development**

With current budget constrictions and the much more active participation of private builders and private land-owners, the municipal government must move toward a new role in the development of housing. Allowing private demand to be the motor in the development process through the initiative of private developers and builders, the municipality can focus its efforts on regulation which encourages building while controlling its quality, location, and environmental concerns. For example, instead of itself identifying buildable land, undertaking surveying and predevelopment, selecting developers before the land-owners and developers are in agreement, the city can affect building through clear and sensible zoning guidelines and other regulations, and should continue to require building permits after the developers have obtained the land and have a working design. It may also choose to have other approval procedures, but since all requirements will be costly to private builders, the City should try to minimize these. As a case study, the Department has suggested joint review of the possibilities for one tract of currently vacant land that the municipality had hoped to develop into housing but which is currently undergoing restitution.

In addition to considering new procedures for regulation, the Urban Development Department should consider what measures it can take to encourage the effective performance of private firms. For example, are there obstacles to their performance? Are there inequities which favor the larger established municipal firms and prevent the small firms from competing? Are there ways in which the City could assist the interaction of private households, builders/developers, and land-owners?

The city also should explore mechanisms for cost recovery from owner-occupied housing. It is currently impossible to recover through property taxation but that may change at the central government level. Additional avenues include charges for infrastructure.

**Recommended Assistance:**

Contractor will work with the Urban Development Department to revise planning procedures and the role of the municipal government in the development process, perhaps through a case study. Propose methods to encourage private development while maintaining a regulatory role. Explore cost recovery mechanisms including charges for infrastructure.

**Level of Effort:**

Urban Economist	10 days
Development Specialist (CCN)	20 days
Municipal Development Analyst (CCN)	20 days

**3. Meeting the Need for Housing**

Staff in the municipal government believe there is an acute housing shortage. While there are few vacancies in the diminishing municipal rental stock, and no funds available for new construction, the city's housing waiting list stands at over 30,000. However, the great majority of the waiting list is in category III (never less than 17,000-18,000) which has as its only requirement that the applicant is currently renting a private flat.<sup>1</sup> That is, there is

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<sup>1</sup> This is an indication of quite a large private rental sector, probably well over 10 percent. Admittedly, many of the 17,000 rental arrangements may be fictional (e.g. "contracts" between parents and children), but there are on the other hand other private sector rental situations that are not appearing on the waiting list.

no distinction by quality of current housing or the income of the applicant: this is not an indication of serious "housing need."<sup>2</sup>

If housing need were to be addressed by housing allowances (see Section 5) instead of direct provision, this part of the waiting list would immediately disappear: they could all stay in their current accommodations, and those of low income would receive the benefit.

In addition to the waiting list, the city has additional commitments to those awaiting compensation for properties appropriated under eminent domain. City staff now believe that it will be necessary to build new rental stock to accommodate total housing need, especially since the current stock will continue to shrink through privatization. We recommend that before making the decision, the city undertake: (1) more careful analysis of serious housing need (i.e. low-income households who currently have inadequate housing) and (2) a study of what the feasibility is of implementing a housing allowance program.

**Recommended Assistance:**

Contractor should undertake in conjunction with city staff a household survey to obtain accurate information on housing needs.

**Level of Effort:**

Housing Economist	10 days
Housing Analyst (CCN)	30 days

**4. Management of the Municipal Stock**

The City currently owns over 10,000 rental units; most of them are in very bad condition -- for example, 37 that were just vacated were pronounced unlivable. Privatization is still underway, now at higher prices (five to six times greater); municipal staff differs on how the price increase will affect the speed of purchase.

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<sup>2</sup> Qualification for this category (and for the waiting list generally) is only checked before actual allocation. That is, there is no way of telling how many of the 17,000 are in fact actually renting private accommodation at any one time.

The city currently has no asset management function with respect to its rental stock. The management of the stock has been the responsibility of municipal company BRICOMS and may soon be transferred to the municipal company PLOVDIVINVEST. The process of transfer initially is done through a local order. The municipal company registers the housing stock as an asset in its books, but there is no contract between the city and the company. The only consistent contact between them is on the subject of allocation, in which the company meets monthly with a report on current vacancies and their condition, and the Housing Allocation Office makes allocations accordingly.

Rents are collected by the management company; payments are made -- for depreciation -- to the city in the amounts determined by statute. The annual budget is approved by the mayor but there seems to be no serious review. In short there is no financial or performance oversight of the management company by the municipality.

The oversight and improvement of management will not only result in better condition in the municipal stock, but will also create financial gains for the city or the stock. According to BRICOMS, the company that currently manages the stock, it operated at a loss before March of 1991 and at a profit more recently. Because it has a number of other functions, if it operates the housing at a gain it subsidizes its other functions instead of putting the money back into the stock; if it operates at a loss it is cross-subsidizing from the other functions (e.g. public sanitation or maintenance of infrastructure), which are therefore being overpaid by the municipality.

We recommend the establishment of an asset management function in the existing Properties Office or in a new Housing Office. This office would work out a new contractual arrangement with the management company -- either chosen competitively or one of the municipal companies BRICOMS or PLOVDIV-INVEST -- in which monitoring of performance and financial arrangements are spelled out. If management is going to be transferred to PLOVDIV-INVEST, it would be very good to provide this assistance at the time of the transfer so the new relationship is well-designed and efficient from the start.

PLOVDIV-INVEST has also requested help with restructuring management function. In particular, they plan to centralize information on the availability of units, their physical condition and current occupancy status; and to contract out much of maintenance functions through competitive bids for the maintenance tasks associated with a block of units.

An important part of the realignment of the housing management function is the move towards a self-financing rental sector. With a housing allowance program in place to cover low-income families, it should be possible to raise rents substantially, so that households that are able to pay more begin to cover the costs associated with owning and operating the stock.

**Recommended Assistance:**

1. Establishing an asset management function within the municipal government (within the Properties Office or a new Housing Office).
2. Assisting with the contracting and monitoring of the management function.
3. Providing assistance with restructuring within management company.

**Level of Effort (for tasks 1 and 2)**

Property Management Specialist	30 days
Housing Management Specialist (CCN)	20 days

**5. Housing Allowances**

Housing allowances -- payments to low-income households which will cover the gap between an acceptable portion of their incomes and a standard rent in either the public or private rental sector -- will enable the municipality to assist those who need housing without directly providing rental or new units.

As discussed above, a large majority of the current waiting list consists of people already housed in the private sector, so with this form of support, their housing needs will be taken care of without needing to find new units.

Current social allowances mandated by Decree 159 are being issued through separate Center for Social Welfare, directly answerable to the Ministry of Welfare. We are in the process of obtaining information about the magnitude of those allowances, but we believe that the portion which is meant to cover rent and utilities could be reallocated to cover the allowances.

**Recommended Assistance:**

Household survey should provide information for cost estimates to be developed. Contractor should propose design of a housing allowance system and work with the city to decide on whether to undertake the implementation of the program.

**Level of Effort:**

Housing Economist	20 days
Housing Analyst (CCN)	30 days

## **LIST OF CONTACTS**

### **MUNICIPAL GOVERNMENT:**

Valentin Marinov, Arch.  
Deputy Mayor/Chief Architect

Georgi Barekov  
Deputy Mayor for Administration

Kroum Filipov, Arch.  
Head, Department of Urban Development

Stefan Karagyaourov, Arch.  
Regional and Urban Development Office, Expert

Todor Popov  
Housing Allocation, Chief Expert  
(what sector?)

Dr. Armenak Kerop Kantryan  
Head, Health and Social Care Department  
(Economic or Legal Sector?)

Ms. Todorova, Accountant  
Regional Social Security Center

Nedelcho Dishkov  
Budget Office, Chief Expert

Svetla Iliikova, Eng., Chief Expert  
Lyubinka Petrova, Expert  
Government Properties  
(Legal Sector)

### **GENPLAN:**

Ms. Topolova, Arch.  
Director General  
(Master Plan company)

**PLOVDIVINVEST:**

Petar Popov  
Director General

Ivan Todorov  
Housing Allocation Department, Expert

Iliya Vachonov, Engineer  
Housing Policy Department, Head

**WORK PROGRAM**  
**THE DEVELOPMENT OF A HOUSING STRATEGY**  
**FOR THE CITY OF BLAGOEVGRAD**

As an initial component of the project to develop municipal housing strategies, a visit to the City of Blagoevgrad was made June 22-26 by consultants Katharine Mark and Plamen Sapundjiev. The purpose of the visit was to outline a housing strategy for the city and develop a work program to work with the city on its housing policy. An attempt was made during the visit to involve staff members at every level and in many departments in the review process, and to expose them to some of the key ideas proposed to lie at the heart of the new strategy. This work program is designed to involve staff in every phase of strategy development. In addition, the completed strategy and a record of the process of strategy development will be disseminated to other municipalities involved in the same process of transformation.

The city is in general still tied to the notion that "housing policy" is the provision of new and rental housing directly to the population -- i.e. their efforts are directed towards new construction and management of city rental housing. Consequently, the preliminary strategy and the work plan focus on (1) redirecting the city's direct assistance towards low-income households and (2) opening the municipality leadership and staff to the consideration of a broader view of housing policy.

In order to involve the municipality actively in the process at its inception, a preliminary policy document was prepared for the City focusing on five action areas: the role of the government in new construction, the role of the municipal rental sector, housing allowances, housing management, and data collection. This document is appended. It includes recommendations for city action, some of which are areas in which USAID may be able to work with the municipality in the next few months. As an outgrowth of this initial strategy, the following work program has been developed. Contractor proposes to work with the city on these tasks, in some cases overseeing each step of the work, in others providing some initial guidance and occasional consultation. In each case, the aim will be to work with city staff in order to build the staff capacity that will ensure the continuation of the new policies being developed.

It should be noted that the first task will be to undertake a broad household survey which will provide useful data to inform many aspects of the housing strategy. In addition to obtaining data for cost estimates for the housing allowance program and for determining housing need, the contractor will work with the city so that staff will be able to use the survey data effectively.

### **1. Development of New Housing**

Blagoevgrad, like all local governments in Bulgaria, has been involved in the direct provision of housing to the entire population regardless of need. It is now prepared to begin to shift away from direct involvement in construction to a role as facilitator and regulator. The Contractor proposes to assist municipal staff in redirecting government efforts by helping determine the need for new construction more precisely than in the past, and by helping the city refine its procedures to facilitate private development.

### **Recommended Action:**

#### **Shift Away from Direct Provision**

1. Determine housing need by income category.
2. Design program for working with private sector builders.
3. Divest direct municipal role in construction.
4. Revise allocation procedures to focus on lowest income group.

#### **Regulation**

1. Determine finance capabilities of population needing housing.
2. Review current planning and permitting procedures and make changes where desirable.
3. Prepare submission to central government lobbying for specific changes in current procedures.
4. Set up land exchange.
5. Develop further ideas for encouraging and facilitating private building.
6. Develop new mechanisms for financing infrastructure and recovering costs.

### **USAID Assistance:**

The Contractor will assist city staff in increasing the accuracy of their assessment of housing needs. In addition the Contractor will propose changes in building regulation where possible, and help prepare a report to the central government on other regulations that the local government should have the ability to implement. The Contractor will work with Urban Development Office staff to develop new ideas for encouraging private builders and developers.

**Level of Effort:**

Housing Analyst (CCN)	10 days
Development Specialist (CCN)	20 days
Municipal Development Analyst (CCN)	20 days

**2. Role of the Rental Sector**

The municipal rental sector in Blagoevgrad is now quite small. Since the private rental sector is undeveloped, the city perceives that the role traditionally filled by a rental sector is not being filled, and is considering building more rental housing. The Contractor has proposed an alternate solution of a housing allowance program to assist low-income renters combined with a more active private rental sector. The contractor proposes to work with the city on developing measures -- e.g. tax incentives -- which might be adopted to encourage the expansion of the private rental sector.

**Recommended Action:**

1. Identify different types of need for rental housing.
2. Identify measures which could encourage the growth of a private rental sector.
3. Develop proposal to the central government about creating possibilities for local resource mobilization.

**USAID Assistance:**

The contractor will work with city staff on the results of the household survey to more precisely determine the need for rental housing. In addition, they will examine other

incentives to the private rental sector and together develop a report to be presented to the Central Government proposing changes in taxation policy.

**Level of Effort:**

Housing Analyst (CCN)	10 days
Financial Analyst (CCN)	5 days

**3. Housing Allowance Program**

This task is already underway. The Contractor will undertake a broad household survey in July. The data will be used to develop cost estimates for the program, so that the city will be able to decide on the design of the program, and whether it can be implemented. City decisions will include whether utilities should be covered as well as rent, and whether contract-savers through the State Savings Bank should also receive some benefits. Other elements of the design to be developed are application procedures and verification and enforcement mechanisms.

The program will be implemented through the municipal Social Needs Office which has had experience administering other social subsidies. The current system is not computerized, but the Office has obtained a computer, and plans to buy software within the next two months. The contractor proposes to work with the Office in choosing the software in order to ensure that it will be useful for administering the new housing allowance program.

**Recommended Action:**

1. USAID team will conduct household survey
2. City and team will decide on program design:
  - whether allowance will cover rent, utilities, provide some benefit for contract savers
  - amount of allowance
  - design appropriate verification and enforcement measures
3. City and team to prepare for implementation of the program (through the Social Needs Office)

**USAID Assistance:**



As discussed in February the USAID team would like to provide assistance with these continuing efforts, primarily in the direction of gaining expertise as asset managers and in carrying out the competitive bidding process -- i.e. in designing a management contract, managing the bidding process, and setting up systems to monitor performance.

Through the changes it has undertaken, the municipality has shown its willingness to try a completely new approach to housing management. If this process can be completed successfully, Blagoevgrad's Asset Management approach will serve as an excellent model for other Bulgarian cities which have been reluctant to undertake what they perceive as a difficult transformation.

**Recommended Action:**

1. Carry on with surveys of all municipal units
2. Keep survey information in a computerized database, and combine with any data now kept by the Municipal Maintenance Company.
3. Use database to monitor management and condition of rental stock.
4. Develop procedures for contracting out management functions through a competitive process, and monitoring performance.

**USAID Assistance:**

Assistance would focus on task 4, while providing oversight and advice on the use of the stock database.

**Level of Effort:**

Property Management Specialist	15 days
Housing Management Specialist (CCN)	15 days

**5. Development and Use of Housing Database**

The contractor should assist with the unification of all currently available data, including the addition of data from the household survey to be undertaken in July.

**Recommended Action:**

1. Ask all departments to provide brief summary of the data they currently have and their plans for computerization, and compile one list of these sources of data.
2. Disseminate list of data throughout municipal government.
3. After the completion of the household survey to be undertaken in July, establish usable database with survey information to be maintained in the municipality.
4. Develop a program for use of housing data throughout the municipality.

**USAID Assistance:**

The Contractor will oversee plans for assembling data, and provide special assistance with the development of a database from the results of the household survey.

**Level of Effort:**

Housing Analyst (CCN)                      10 days